

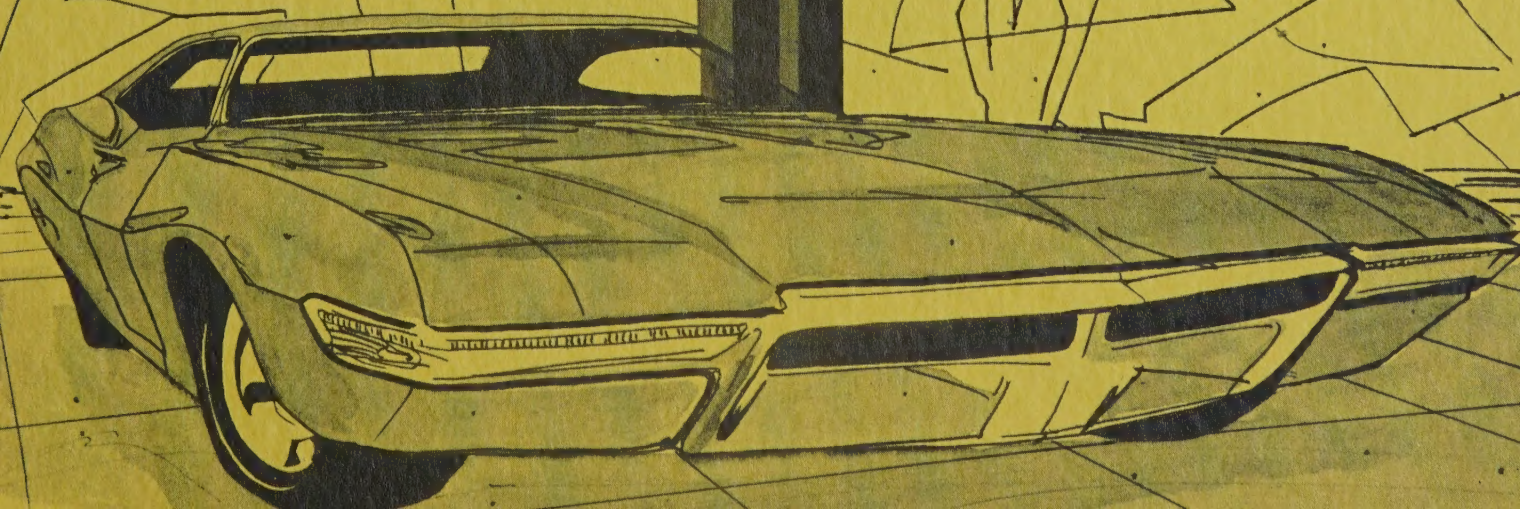
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AUTO
ELECTRIC
SERVICE
COMPANY, LIMITED

annual
report
1968



AUTO ELECTRIC SERVICE COMPANY, LIMITED

EST. 1918

1000 LAWRENCE AVE. WEST
TORONTO, ONTARIO

111 THORNCLIFFE PARK DRIVE
TORONTO

558 QUEENSTON ROAD
HAMILTON

268 JANE STREET
TORONTO

DIRECTORS

HAROLD C. BRINDLE
GEORGE F. LEAVER
AYTON G. KEYES

ALEXANDER H. DOUGLAS

ALEX GRAY*
JAMES J. P. WALSH, Q.C.
DONALD A. McINTOSH, Q.C.

OFFICERS

Chairman of the Board ALEXANDER H. DOUGLAS
President and General Manager HAROLD C. BRINDLE
Vice-President, Finance and Secretary-Treasurer A. A. KERR
Vice-President In Charge of Sales H. SEAGER
Vice-President Technical Services R. G. WOODHOUSE

WHOLLY-OWNED SUBSIDIARIES

AUTO ELECTRIC SERVICE (PACIFIC) LIMITED *Vancouver, Kamloops, Nelson,
and Penticton, British Columbia*
AUTO ELECTRIC SERVICE (VICTORIA) LIMITED *Victoria, British Columbia*
AUTO ELECTRIC SERVICE (WESTERN) LIMITED *Winnipeg, Manitoba*
AUTOLEC SERVICES (QUEBEC) LIMITED *Montreal, Quebec*
CANADIAN AVIATION PRODUCTS, LIMITED *Toronto, Ontario*
AUTO ELECTRIC SERVICE (KITCHENER) LIMITED *Kitchener, Ontario*
GARAGE SUPPLY CO., LIMITED *Toronto, Ontario*
AUTOLEC SERVICES (ONTARIO) 1963, LIMITED
HARRIS AUTO ELECTRIC DIVISION *Barrie, Ontario*
CLIFF TOWLE AUTO ELECTRIC DIVISION *Peterborough, Ontario*
NORTH BAY AUTO ELECTRIC DIVISION *North Bay, Ontario*
YUILL & CRAIG AUTO ELECTRIC DIVISION *Sudbury, Ontario*
WESTWAY AUTO ELECTRIC DIVISION *Brampton, Ontario*
WHITAKER & REVERCOMB LIMITED *Victoria, Duncan, Nanaimo,
Port Alberni, Courtney, British Columbia*
KEYES SUPPLY COMPANY LIMITED *Ottawa, Kingston, Cornwall, Pembroke, Hawkesbury,
Sault Ste Marie, North Bay, Sudbury, Brockville, Ontario*

TRANSFER AGENTS AND REGISTRARS

NATIONAL TRUST COMPANY, LIMITED *Toronto*

SOLICITORS

ROSENBERG, WALSH, SMITH & PATON *Toronto*

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE *Toronto, Barrie, Vancouver,
Peterborough, Ottawa, Winnipeg*

AUDITORS

THORNE, GUNN, HELLIWELL & CHRISTENSON *Toronto*

*Deceased

Annual Report of the Directors

TO THE SHAREHOLDERS:

Your Directors submit the Annual Report of the Company, together with the Consolidated Balance Sheet as at December 31, 1968. The related Consolidated Statement of Income and Retained Earnings with comparative figures for the previous year, and a statement of the source and application of funds.

FINANCIAL

Consolidated sales of the Company and its subsidiaries for the year 1968 were \$24,960,360 and represent an increase in volume of \$12,976,184, approximately 108%.

Our before-tax profit increased to \$592,790 from \$433,632 in 1967, an increase of 37%, however, due to an increased amount of income tax payable, our after-tax profit increased to \$282,790 from \$247,732, an increase of 14%.

The per share profit was 63¢ per share based on 450,147 shares being the weighted average outstanding for the year, compared to the weighted average of 397,424 for 1967. The net worth of the Company increased to \$5,640,136 from \$3,340,872, an increase of 69%.

Our working capital increased to \$4,781,716 from \$2,728,943, an increase of 75%.

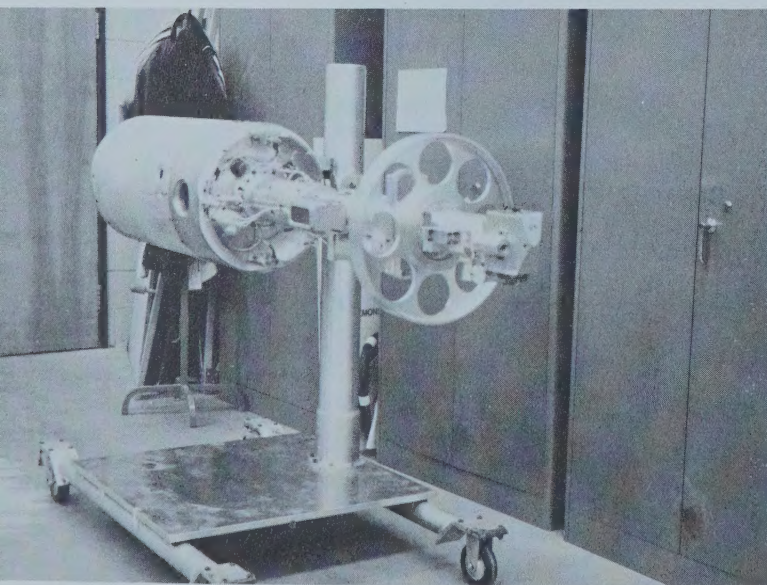
While we are not satisfied with the net profits of the Company for 1968, it is the opinion of the Board of

Directors that we have established a firm sales base. This sales base along with the economies of scale and greater discounts available to us, we believe will greatly enhance our profit structure in 1969. Our 1968 profits were affected by a sales mix that included a greater than normal portion of lower margin products, together with non-recurring expenses incurred through the absorptions of acquisitions that have temporarily increased the cost of operations.

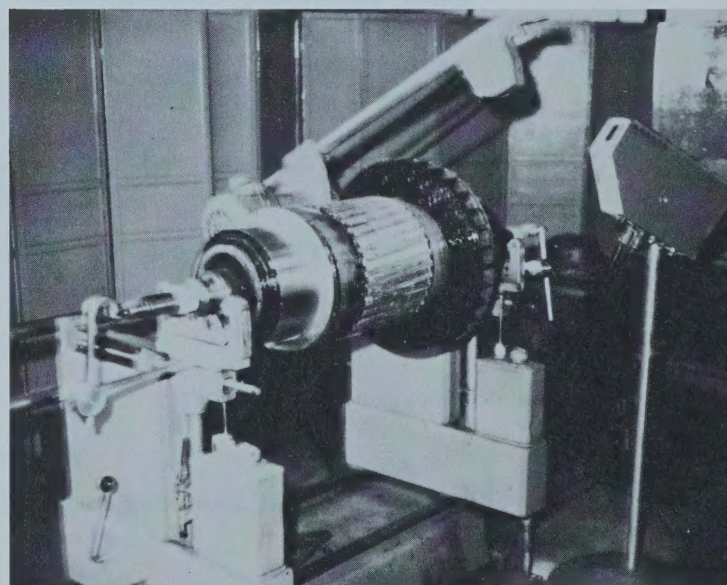
The sales and profits include North End Auto Supply for 7 months, Whitaker & Revercomb Limited for 4 months, Keyes Supply for 12 months.

During the year, the Company sold 65,000 Treasury Shares to Manufacturers Life Assurance Company and the Royal Trust Company.

The past year was a progressive one for your Company and one that brought us closer to our objective of being a truly national distributor and a complete supply depot for our customers. The list of cities where we have branches to serve our customers becomes more extensive each year. In 1967, we had 18 branch distribution warehouses—at the end of 1968, we had 37 distribution points. Each branch has facilities for the distribution of replacement parts and accessories, and either machine shop facilities, service repair facilities, retail facilities to serve the public, or a combination of all four.



Nose Cone of weather probe for Institute of Aero Space, University of Toronto, balanced on one of our precision electronic balancing machines to sensitivity of .002 inch oz.



Armature from a diesel locomotive weighing 500 lbs. being balanced on our precision balancing machine.



New Kitchener premises.

On August 1, 1968, the Management structure of the Company was re-aligned in order to streamline our procedures and to effect better marketing supervision and distribution controls.

New responsibilities were created at this time and to detail a few appointments that have been made—

| | |
|-----------------|---|
| R. G. Woodhouse | Vice President, Technical Services—Canada |
| H. Seager | Vice President, Sales—Canada |
| G. A. McElheran | Manager, Trade Sales—Canada |
| R. Short | Manager, Redistribution Sales—Canada |
| W. Hagan | Manager, Advertising & Sales Promotion—Canada |

In the early fall, the Company adopted a new design for our large truck fleet and this design has been carried on in new package designs used for our "Autolec" branded products such as batteries, generators and starters. One of our new truck designs is pictured in our report.

PREMISES

Kitchener—

We opened our second Grand Prix Car Clinic in Kitchener in the late fall, providing that area with the most modern automobile diagnostic equipment to service the retail public, along with a modern distribution warehouse for trade and jobber accounts.

The design of the front cover of this report was adapted from our identification sign at our Kitchener Grand Prix Clinic.



Identification sign and sales promotional medium at our Kitchener Grand Prix Clinic.



One of the company's large fleet of delivery vehicles.

Brampton—

The Company has purchased two acres of land for development in the Brampton area. We plan to construct a large warehouse for distribution of our products along with an 8 Bay Diagnostic Car Clinic similar to our Kitchener building.

Sudbury—

The Company has an option to purchase a four acre parcel of land in Sudbury for development of a major distribution warehouse to serve Northern Ontario including Sudbury, Sault Ste. Marie, North Bay, Timmins, etc.

In addition, we plan to construct a modern diagnostic car clinic to service automobile and the truck fleet market. We plan to include parts and service facilities for our Air Cooled Engine Division, along with service facilities for the repair and maintenance of diesel engines, injection systems, carburetors, electrical systems and complete machine shop facilities. These new facilities will consolidate four smaller buildings now occupied. Two of the existing buildings are company owned and they will be sold.

Air Cooled Engines—

In order to provide better facilities to service our customers, we purchased a new building for our Western Canada Air Cooled Engine Division in Winnipeg at 193 Fort Street. This building has 12,000 sq. ft. of floor space and is of sufficient height to allow us to mezzanine a section and increase the area to 18,000 sq. ft. The purchase price was \$90,000 payable—\$30,000 cash and \$60,000 on a 7%—5 Year Term, 20 Year Amortization Mortgage. This purchase will allow us to consolidate our Air Cooled Engine operations into one building.

In October, the Company secured new premises in Leaside for our Ontario Air Cooled Engine Division. These new premises will provide modern facilities and expanded floor areas. We now have a modern showroom for displaying our engines and services.

The potential for our services in the air cooled engine field expands each year with the increased use of this type of engine on lawn mowers, cultivators, garden tractors, construction equipment and snow-mobiles. According to the latest information available to us, there are over 7 million air cooled engines in operation in Canada.

ACQUISITIONS

We acquired all the shares of Keyes Supply Company Limited, headquartered in Ottawa, with branch warehouses in Sault Ste. Marie, Sudbury, North Bay, Pembroke, Hawkesbury, Cornwall, Brockville and

Kingston. In addition to distributing automotive parts, Keyes operates a separate division handling household appliances, radio, stereo, TV, industrial and commercial refrigeration parts and six machine shops.

The Company acquired in May, most of the assets of North End Auto Supply (Toronto) Limited operating in the Metropolitan Toronto area.

The purchase of all shares of Whitaker & Revercomb Limited was completed on October 29, 1968. This Company is headquartered in Victoria, B.C. and operates two branches in that city along with warehouses in Colwood, Duncan, Nanaimo, Port Alberni and Courtenay, all located on Vancouver Island.

OUTLOOK FOR 1969

In 1968, a concentrated effort has been put forth in finalizing the acquisitions of Keyes Supply, North End Auto Supply and Whitaker & Revercomb. To date, a great deal has been accomplished in integrating their company operations with ours. Some economies were made in 1968, however, the full effect of the integration will not be realized until 1969.

During 1968, we standardized most of our major product lines to provide a concentrated effort by all our company locations thereby making sales direction more effective.

Through our acquisition program, we have become associated with a number of major suppliers to the automotive aftermarket and have been able to expand their product lines to our other company operations. This program of expanding product lines into new areas is continuing in 1969 and should assist us in securing improved sales and profits through penetration of the market with these new products.

The automotive market continues to expand rapidly and your Company is one of the leaders in this market. We are confident that our plans for internal expansion and our acquisition program, while costly at the outset, will again show increased sales and a better profit ratio in 1969.

PERSONNEL

The growth of the Company has been in a large part due to the ingenuity, loyalty and industry of our employees now in excess of 840. The Board wishes to express its appreciation to all personnel for their service and conscientious efforts during the year.

On Behalf of the Board of Directors

ALEXANDER H. DOUGLAS,
Chairman

Toronto, April 15, 1969

AUTO ELECTRIC SERVICE COMPANY, LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Income

Year Ended December 31, 1968

(with comparative figures for 1967)

| | 1968 | 1967 |
|--|-------------------|-------------------|
| Sales..... | \$24,960,360 | \$11,984,176 |
| Cost of sales, technical services and other operating costs..... | 24,139,529 | 11,461,151 |
| Interest on non-current liabilities..... | 37,820 | 8,246 |
| Depreciation..... | 200,221 | 81,147 |
| | <u>24,377,570</u> | <u>11,550,544</u> |
| Income before income taxes..... | 582,790 | 433,632 |
| Income taxes | | |
| Current..... | 316,549 | 187,876 |
| Deferred..... | (16,549) | (1,976) |
| | <u>300,000</u> | <u>185,900</u> |
| Net income for the year..... | <u>\$ 282,790</u> | <u>\$ 247,732</u> |
| Earnings per share..... | <u>63¢</u> | <u>62¢</u> |

Consolidated Statement of Retained Earnings

Year Ended December 31, 1968

(with comparative figures for 1967)

| | 1968 | 1967 |
|--|---------------------|---------------------|
| Balance at beginning of year..... | \$ 3,207,343 | \$ 3,070,177 |
| Net income for the year..... | 282,790 | 247,732 |
| | <u>3,490,133</u> | <u>3,317,909</u> |
| Deduct dividends—30¢ per share (1967, 27½¢ per share)..... | 147,072 | 110,566 |
| Balance at end of year..... | <u>\$ 3,343,061</u> | <u>\$ 3,207,343</u> |

AUTO ELECTRIC SERVICE COMPANY, LIMITED

(Incorporated under the laws of Ontario)

AND SUBSIDIARY COMPANIES

| | ASSETS | 1968 | 1967 |
|---|--------|---------------------|--------------------|
| CURRENT ASSETS | | | |
| Cash..... | | \$ 111,755 | \$ 32,167 |
| Government bonds, at cost (quoted market value 1968, \$15,500)... | | 16,550 | 16,550 |
| Accounts receivable, less allowance for doubtful accounts of \$88,256 (1967, \$49,791)..... | | 4,075,684 | 1,550,275 |
| Income tax refund claim..... | | 38,637 | |
| Life insurance, cash surrender value..... | | | 17,930 |
| Inventories, at lower of cost and net realizable value..... | | 6,117,382 | 3,251,366 |
| Prepaid expenses..... | | 83,779 | 13,856 |
| Special refundable tax..... | | 8,364 | 9,082* |
| | | <u>10,452,151</u> | <u>4,891,226</u> |
| FIXED ASSETS, at cost | | | |
| Land..... | | 374,248 | 184,383 |
| Buildings..... | | 995,399 | 528,369 |
| Equipment..... | | 1,594,290 | 861,957 |
| Automotive equipment..... | | 266,544 | 125,949 |
| Leasehold improvements..... | | 139,058 | 91,784 |
| | | <u>3,369,539</u> | <u>1,792,442</u> |
| Less accumulated depreciation..... | | 1,695,189 | 876,182 |
| | | <u>1,674,350</u> | <u>916,260</u> |
| EXCESS OF COST OF SHARES IN SUBSIDIARIES over equity in net assets at dates of acquisitions..... | | | 20,602 |
| | | <u>\$12,126,501</u> | <u>\$5,828,088</u> |

Approved by the Board

A. H. DOUGLAS, *Director*

H. C. BRINDLE, *Director*

*Comparative figures adjusted to conform with 1968 presentation.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUBSIDIARY COMPANIES

In accordance with an agreement dated February 12, 1968, the parent company acquired all of the outstanding shares of Keyes Supply Company Limited. On September 1, 1968 all of the outstanding shares of Whitaker and Revercomb Limited were acquired. The consolidated financial statements include the results of operations of Keyes Supply from January 1, 1968 (earnings in 1968 prior to acquisition on February 12 were not significant in amount) and the results of operations of Whitaker and Revercomb from September 1, 1968.

On consolidation, a credit balance arises because the book value of the net assets of these subsidiary companies exceeded the cost of their shares. This credit has been reduced by opposite amounts arising in prior years and the net amount of \$206,243 is shown in the balance sheet.

2. MORTGAGES PAYABLE

(excluding amounts due within one year)

| | 1968 | 1967 |
|--|------------------|------------------|
| 5¼% due November 1, 1970 to 1974..... | \$ 25,000 | \$ 30,000 |
| 7½% due July 29, 1973 | 25,000 | |
| 7% payable \$462 per month principal and interest January 1, 1970 to June 1, 1973 | 57,924 | |
| 7% payable \$591 per month principal and interest January 1, 1970 to December 1, 1970..... | 19,843 | |
| | <u>\$127,767</u> | <u>\$ 30,000</u> |

Consolidated Balance Sheet—December 31, 1968

(Comparative figures at December 31, 1967)

| | LIABILITIES | 1968 | 1967 |
|--|-----------------------------|---------------------|--------------------|
| CURRENT LIABILITIES | | | |
| Bank advances (secured by accounts receivable) | | \$ 2,964,815 | \$1,047,706 |
| Accounts payable and accrued liabilities | | 2,534,292 | 1,019,394 |
| Income and other taxes payable | | 150,420 | 75,183 |
| Mortgage and note payments due within one year | | 20,908 | 20,000 |
| | | <u>5,670,435</u> | <u>2,162,283</u> |
| NON-CURRENT LIABILITIES | | | |
| Bank advances due after 1969 (secured by accounts receivable) | | 450,000 | 200,000 |
| Mortgages payable (note 2) | | 127,767 | 30,000 |
| 5½% Note payable, due September 15, 1969 | | | 10,000 |
| | | <u>577,767</u> | <u>240,000</u> |
| DEFERRED INCOME TAXES | | <u>31,920</u> | <u>84,933</u> |
| EXCESS OF EQUITY IN NET ASSETS OF SUBSIDIARIES over cost of shares at dates of acquisitions (note 1) | | <u>206,243</u> | |
| | SHAREHOLDERS' EQUITY | | |
| CAPITAL STOCK (note 3) | | | |
| Authorized—1,000,000 shares without par value | | | |
| Issued — 578,457 shares (1967, 411,732 shares) | | 2,297,075 | 133,529 |
| RETAINED EARNINGS | | <u>3,343,061</u> | <u>3,207,343</u> |
| | | <u>5,640,136</u> | <u>3,340,872</u> |
| | | <u>\$12,126,501</u> | <u>\$5,828,088</u> |

3. CAPITAL STOCK

During 1968 shares were issued as follows:

| | |
|---|--------------------|
| 75,824 shares as consideration on acquisition of subsidiary companies | \$ 800,000 |
| 9,411 shares for inventory | 99,991 |
| 65,000 shares for cash | 1,108,152 |
| 16,490 shares for cash under the share option plan for officers and key employees (1967, 14,680 shares for \$64,304) | 155,403 |
| <u>166,725</u> | <u>\$2,163,546</u> |

In January, 1969 an additional 25,000 shares were issued for \$513,100 cash.

In accordance with the share option plan for officers and key employees, there were 15,150 shares under option at December 31, 1968 at \$11.475 per share exercisable up to May 30, 1970. Subsequent to the date of the balance sheet, options were exercised on 7,750 shares.

4. LONG TERM LEASE

The company is committed to an annual rental of \$50,400 on a lease which expires on December 31, 1990.

5. CONTINGENT LIABILITY

Under the terms of joint mortgages payable on property occupied under lease agreements, a subsidiary company was contingently liable at December 31, 1968 for \$200,653 mortgage principal.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers, including remuneration of the five highest paid employees as required by The Corporations Act, Ontario amounted to \$118,406 for 1968 (1967, \$98,820).

7. ACQUISITION IN 1969

On March 31, 1969, the company acquired all of the outstanding shares of Auto Wrecking Company Limited for \$800,000 cash.

AUTO ELECTRIC SERVICE COMPANY, LIMITED

AND SUBSIDIARY COMPANIES

Consolidated Statement of Source and Application of Funds

Year Ended December 31, 1968

(with comparative figures for 1967)

| | 1968 | 1967 |
|---|-------------|--------------|
| Source of funds | | |
| Operations | | |
| Net income for the year..... | \$ 282,790 | \$ 247,732 |
| Items not involving current funds | | |
| Depreciation..... | 200,221 | 81,147 |
| Decrease in deferred income taxes..... | (16,549) | (1,976) |
| | 466,462 | 326,903 |
| Bank advances, non-current..... | 250,000 | 200,000 |
| Issue of capital stock (note 3)..... | 2,163,546 | 64,304 |
| Mortgages payable assumed..... | 85,000 | |
| Working capital of subsidiary companies acquired..... | 1,814,921 | 194,769* |
| Other sources..... | 2,000 | 4,887* |
| | 4,781,929 | 790,863 |
| Application of funds | | |
| Additions to fixed assets..... | 528,712 | 87,200* |
| Investment in subsidiary companies..... | 2,029,227 | 228,233* |
| Dividends paid..... | 147,072 | 110,566 |
| Mortgages and notes payable..... | 24,145 | 20,000 |
| | 2,729,156 | 445,999 |
| Increase in working capital..... | 2,052,773 | 344,864 |
| Working capital at beginning of year..... | 2,728,943 | 2,384,079 |
| Working capital at end of year..... | \$4,781,716 | \$2,728,943* |

*Comparative figures adjusted to conform with 1968 presentation.

AUDITORS' REPORT

To the Shareholders of
AUTO ELECTRIC SERVICE COMPANY, LIMITED

We have examined the consolidated balance sheet of Auto Electric Service Company, Limited and subsidiary companies as at December 31, 1968 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada, April 15, 1969

THORNE, GUNN, HELLIWELL & CHRISTENSON
Chartered Accountants

AUTO ELECTRIC SERVICE COMPANY, LIMITED

AND ITS SUBSIDIARY COMPANIES

Central Service & Warehouse Distributors for

BENDIX-ECLIPSE OF CANADA, LIMITED.....Windsor, Ontario, Canada
BRIGGS & STRATTON CORPORATION.....Milwaukee, Wisconsin, U.S.A.
CANADIAN CURTISS WRIGHT LIMITED.....Toronto, Ontario, Canada
CANADIAN SHALER PRODUCTS LIMITED.....Toronto, Ontario, Canada
CARTER CARBURETOR DIVISION OF
ACF INDUSTRIES INC.....St. Louis, Mo., U.S.A.
JAMES B. CARTER LIMITED.....Winnipeg, Manitoba, Canada
CHAMPION SPARK PLUG OF CANADA LIMITED.....Windsor, Ontario, Canada
CHRYSLER OUTBOARD CORPORATION.....Hartford, Wisconsin, U.S.A.
CLINTON ENGINES CORPORATION.....Maquoketa, Iowa, U.S.A.
CONTROLS COMPANY OF CANADA LIMITED.....Cooksville, Ontario, Canada
DANA PARTS COMPANY.....Toronto, Ontario, Canada
DOMINION AUTO ACCESSORIES LIMITED.....Toronto, Ontario, Canada
DOMINION ELECTROHOME INDUSTRIES LIMITED,
MOTOR & METAL PRODUCTS DIVISION.....Kitchener, Ontario, Canada
FAIRBANKS, MORSE INCORPORATED.....Beloit, Wisconsin, U.S.A.
FORD MOTOR COMPANY OF CANADA LIMITED,
AUTOLITE DIVISION.....Oakville, Ontario, Canada
GABRIEL OF CANADA LIMITED.....Toronto, Ontario, Canada
GATES RUBBER OF CANADA LIMITED.....Brantford, Ontario, Canada
GRAY TOOL COMPANY OF CANADA LIMITED.....Toronto, Ontario, Canada
HAMILTON WATCH COMPANY,
INDUSTRIAL PRODUCTS DIVISION.....Lancaster, Penn., U.S.A.
LESLIE HARTRIDGE (CANADA) LIMITED.....Toronto, Ontario, Canada
KELLY-SPRINGFIELD TIRE CO. OF
CANADA LIMITED.....Cooksville, Ontario, Canada
KRALINATOR FILTERS LIMITED.....Preston, Ontario, Canada

KING-SEELEY DIVISION OF
KING-SEELEY THERMOS COMPANY.....Ann Arbor, Michigan, U.S.A.
JOSEPH LUCAS LIMITED.....Birmingham, England
MARQUETTE EQUIPMENT CANADA LIMITED.....Rexdale, Ontario
MARVEL-SCHEBLER PRODUCTS DIVISION
BORG-WARNER CORPORATION.....Decatur, Illinois, U.S.A.
MINNESOTA MINING AND MANUFACTURING OF
CANADA LIMITED.....London, Ontario, Canada
MOTOROLA AUTOMOTIVE
PRODUCTS INCORPORATED.....Franklin Park, Illinois, U.S.A.
O & R ENGINES INCORPORATED.....Los Angeles, California, U.S.A.
H. PAULIN & COMPANY LIMITED.....Scarborough & Sheridan Park, Ontario
THE PRESTOLITE COMPANY,
DIVISION OF ELTRA OF CANADA LIMITED.....Sarnia, Ontario, Canada
PUROLATOR PRODUCTS (CANADA) LIMITED.....Toronto, Ontario, Canada
RAYBESTOS MANHATTAN (CANADA) LIMITED.....Peterborough, Ontario, Canada
SLICK ELECTRIC INCORPORATED.....Rockford, Illinois, U.S.A.
TRICO PRODUCTS CORPORATION.....Buffalo, N.Y., U.S.A.
TRIDON MANUFACTURING LIMITED.....Burlington, Ontario, Canada
TUNG-SOL INTERNATIONAL CORPORATION.....Bramalea, Ontario, Canada
VICTOR MANUFACTURING & GASKET COMPANY OF
CANADA LIMITED.....St. Thomas, Ontario, Canada
WAGNER BRAKE COMPANY LIMITED.....Weston, Ontario, Canada
WALBRO CORPORATION.....Cass City, Michigan, U.S.A.
THE WEATHERHEAD COMPANY OF
CANADA LIMITED.....Toronto, Ontario, Canada
WICO ELECTRIC COMPANY.....West Springfield, Mass., U.S.A.

Service Distributors & Wholesalers for

AEROQUIP CANADA LIMITED.....Toronto, Ontario, Canada
BEAR EQUIPMENT & SERVICES LIMITED.....Scarborough, Ontario, Canada
ROBERT BOSCH (CANADA) LIMITED.....Toronto, Ontario, Canada
CANADIAN GENERAL ELECTRIC
COMPANY LIMITED.....Toronto, Ontario, Canada
CANADIAN INDUSTRIES LIMITED.....Toronto, Ontario, Canada
CANADIAN SKF COMPANY LIMITED.....Scarborough, Ontario, Canada
CONTINENTAL MOTOR CORPORATION.....Melrose Park, Illinois, U.S.A.
DE VILBISS (CANADA) LIMITED.....Barrie, Ontario, Canada
GIDON INDUSTRIES LIMITED.....Rexdale, Ontario, Canada
HEIN-WERNER OF CANADA LIMITED.....Ajax, Ontario, Canada
HOLLEY CARBURETOR COMPANY.....Warren, Michigan, U.S.A.
KOHLER COMPANY.....Kohler, Wisconsin, U.S.A.
LAUSON-POWER PRODUCTS,
DIVISION OF TECUMSEH PRODUCTS COMPANY.....Grafton, Wisconsin
LEECE-NEVILLE COMPANY.....Cleveland, Ohio, U.S.A.

JOSEPH LUCAS (CANADA) LIMITED,
CAV LIMITED.....Toronto, Ontario, Canada
MALLORY BATTERY COMPANY OF
CANADA LIMITED.....Sheridan Park, Ontario, Canada
MERIT AUTOMOTIVE PRODUCTS LIMITED.....Toronto, Ontario, Canada
OUTBOARD MARINE CORPORATION OF
CANADA LIMITED.....Peterborough, Ontario, Canada
QUAKER STATE OIL REFINING COMPANY OF
CANADA LIMITED.....Toronto, Ontario, Canada
SIOUX TOOLS INCORPORATED.....Sioux City, Iowa, U.S.A.
S. SMITH & SONS (CANADA) LIMITED.....Toronto, Ontario, Canada
TILLOTSON MANUFACTURING COMPANY.....Toledo, Ohio, U.S.A.
UNION CARBIDE CANADA LIMITED.....Toronto, Ontario, Canada
UNITED MOTORS SERVICE, A.C. DIVISION,
GENERAL MOTORS PRODUCTS OF
CANADA LIMITED.....Oshawa, Ontario, Canada
VORNADO AUTO AIR CONDITIONING.....Melrose, Mass., U.S.A.

Appliance Distributors for

CANADIAN GENERAL ELECTRIC
COMPANY LIMITED.....Toronto, Ontario, Canada
CANADIAN WESTINGHOUSE COMPANY.....Don Mills, Ontario, Canada
DOMINION ELECTROHOME INDUSTRIES LIMITED.....Kitchener, Ontario, Canada
MATSUSHITA ELECTRIC OF CANADA LIMITED.....Rexdale, Ontario, Canada
MOTOR WHEEL CORPORATION.....LaGrange, Indiana, U.S.A.
ONWARD MANUFACTURING COMPANY LIMITED.....Kitchener, Ontario, Canada
PHILIPS APPLIANCES LIMITED.....Toronto 17, Ontario, Canada
PROCTOR-SILEX SALES (CANADA) LIMITED.....Toronto, Ontario, Canada

ROGERS MAJESTIC RADIO & T.V. LIMITED.....Toronto, Ontario, Canada
RONSON PRODUCTS OF CANADA LIMITED.....Rexdale, Ontario, Canada
REMINGTON RAND LIMITED.....Toronto, Ontario, Canada
SALTON INCORPORATED.....New York, N.Y., U.S.A.
SCHICK (CANADA) LIMITED.....Scarborough, Ontario, Canada
SUNBEAM CORPORATION (CANADA) LIMITED.....Toronto 18, Ontario, Canada
SYLVANIA ELECTRIC CANADA LIMITED.....Montreal, Quebec, Canada
UNION CARBIDE CANADA LIMITED,
CONSUMER PRODUCTS DIVISION.....Toronto, Ontario, Canada



A NATIONAL SALES AND SERVICE ORGANIZATION SERVING THE AUTOMOTIVE, MARINE, FARM AND INDUSTRIAL TRADE ACROSS CANADA THROUGH ITS WIDESPREAD SUBSIDIARIES AND BRANCHES

**AUTO ELECTRIC SERVICE COMPANY, LIMITED
AND ITS SUBSIDIARY COMPANIES**

**INTERIM CONSOLIDATED STATEMENT
OF INCOME**

JANUARY 1ST TO JUNE 30TH, 1968
(with comparative figures for the same period in 1967)

| | <u>1968</u> | <u>1967</u> |
|---|-------------------|------------------|
| Sales | \$11,234,135 | \$5,649,513 |
| Cost of Sales, technical services and other operating costs | <u>10,756,538</u> | <u>5,423,806</u> |
| Profit before taxes on income.. | 477,597 | 225,707 |
| Estimated taxes on income | <u>223,050</u> | <u>106,168</u> |
| Net income for the period..... | \$ 254,547 | \$ 119,539 |
| Earnings per share | 52¢ | 30¢ |

The 1968 interim results have been compiled in accordance with the recent amendments to the Ontario Corporation Act. Your directors believe that this has had some favourable effect on the 1968 profits shown.

**CONSOLIDATED STATEMENT OF SOURCE AND
APPLICATION OF FUNDS**

JANUARY 1ST TO JUNE 30TH, 1968

| | <u>1968</u> | <u>1967</u> |
|---|------------------|------------------|
| SOURCE OF FUNDS: | | |
| Net Income for the half year... | \$ 254,547 | \$ 119,539 |
| Depreciation | 55,788 | 52,798 |
| Increase in deferred Income Tax | <u>3,727</u> | |
| | 314,062 | 172,337 |
| Bank Advances due after 1968. | 695,000 | |
| Deferred Notes due after 1968. | 547,316 | |
| Sale of Capital Stock under Share Option Plan | 48,112 | 6,615 |
| Capital Stock issued as consider- ation on acquisition | 699,986 | |
| Mortgage | 29,265 | |
| Excess of book value of net assets over cost of shares on acquisition | <u>265,715</u> | |
| | <u>2,599,456</u> | <u>178,952</u> |
| APPLICATION OF FUNDS: | | |
| Addition to fixed assets | 419,015 | 20,406 |
| Dividends Paid | <u>66,875</u> | <u>49,634</u> |
| | 485,890 | 70,040 |
| Increase in working capital. | 2,113,566 | 108,912 |
| Working capital at beginning of year | <u>2,719,861</u> | <u>2,384,079</u> |
| Working capital at end of period | \$ 4,833,427 | \$2,492,991 |

AUTO ELECTRIC SERVICE COMPANY, LIMITED

AR45



**INTERIM REPORT
TO SHAREHOLDERS**

for the six months ended June 30th, 1968

TO THE SHAREHOLDERS:

Your directors are pleased to submit an interim report of the company's operations for the first half of 1968.

Sales increased 99% over 1967, totalling \$11,234,135 compared to \$5,649,513 in 1967.

Our net profit increased to \$254,547 from \$119,539 for 1967, an increase of 112%.

The per share earnings were 52¢ compared to 30¢ per share in 1967, an increase of 73%.

The issued shares at June 30th, 1968, were 489,821, an increase of 92,769 shares over 397,052 shares outstanding at June 30th, 1967.

The 1968 results reflect the inclusion of the operations of Garage Supply Company Limited and Keyes Supply Company Limited for the six month period ending June 30th, 1968, and the North End Auto Supply for two months ending in the same date.

The first half of this year has been an exciting and challenging one for your Management.

In February we were successful in negotiating the purchase of Keyes Supply Company Limited. Keyes are headquartered in Ottawa, operating a 40,000 sq. ft. warehouse on Bayview Road in Central Ottawa, and a branch of 10,000 sq. ft. on Michael Street in the East-end of Ottawa.

In addition they operate branches in Sault Ste. Marie, Sudbury, North Bay, Pembroke, Kingston, Brockville, Cornwall, Hawkesbury.

Keyes Supply complements our operations and will now give us distribution facilities in almost every major city in Eastern, Northern and Central Ontario.

The acquisition of Keyes greatly strengthens our operation in the Ontario automotive aftermarket with its potential of almost 360 million dollars, or 36% of the Canadian market volume. The area serviced by Keyes Supply represents 7½% of the total automotive aftermarket in Canada. Mr. Ayton Keyes was elected to the Board of Directors at our Annual Meeting and has been appointed Regional Manager, headquartered in Ottawa. He remains as President of Keyes Supply Company Limited.

In April we consummated the purchase of assets and business of North End Auto Supply (Toronto) Limited with its two branch warehouses in Toronto. We now have distribution warehouses in Leaside (Garage Supply Co. Limited) to serve the east end of Toronto, 1000 Lawrence Avenue West to serve central and north Toronto, Jane Street (North End Auto Supply) to serve west Toronto and western suburbs.

With the acquisition of the three companies, Keyes Supply Co. Ltd., Garage Supply Co. Ltd., and assets and business of North End Auto Supply Ltd., we have broadened our product lines to include industrial products and equipment to service the mining, logging and construction industries.

We have an expanded range of household appliances, television, radio, stereo, tape recorders and players, small garden equipment, shavers, mixers and blenders.

We have now added to our growing list of suppliers such well-known manufacturers as Panasonic, Phillips, General Electric, Sunbeam, Moffet-Crosley, Rogers-Majestic, Westinghouse, Remington Rand and Ronson.

In a number of our branches we have established industrial refrigeration divisions to supply replacement parts and accessories to service and rebuild industrial, commercial and household air-conditioning and refrigeration units.

During the past year we have been successful in marketing our exclusive Grand Prix car stereo tape player across Canada. In our study of the current market potential, we have decided to expand this exclusive brand to include a second model Grand Prix Mark II.

We have entered the automobile air-conditioning market and have secured the "Vornado" franchise for distribution across Canada. Arrangements were made with "Vornado" to train a number of our men in the installation of the air-conditioning units in automobiles and commercial trucks. Our marketing program and service sales have been successful to date.

The addition of these new product lines are being integrated into our branch warehouses across Canada.

As the company is becoming more involved in the retail market, we have made arrangements to provide a time

payment plan and charge facilities for our retail customers. The time plan will be financed internally, while the charge plan will be arranged through the Canadian Imperial Bank of Commerce "Chargex" system.

As of August 1st, 1968, the internal management structure of the company has been changed. These changes in responsibilities and authorities have been necessitated by the rapid growth over the past year.

We are pleased to announce the appointment of Harry Seager to the newly established position of Vice-President, Sales.

We have also established Vice-President, Technical Services and announce the appointment of R. G. Woodhouse to this position.

The construction of our Grand Prix Car Clinic in Kitchener, Ontario, is progressing satisfactorily. It is located at the corner of Fairway Drive and Mill Street. It is expected that we will be in possession of the building and operating in early September.

The company has entered into an agreement to purchase land for the development of a Grand Prix Car Clinic in Brampton, Ontario. The Brampton-Bramalea area is very rapidly expanding with both residential and industrial developments. The present population of Brampton-Bramalea area is 48,000. The next 15 year growth patterns forecast that this area will have a population of 145,000 and a motor vehicle population of 78,000. Our new location is in the geographic centre of the Brampton-Bramalea area.

The company has acquired premises at 193 Fort Street in Winnipeg located across the street from our present main warehouse at 170 Fort Street. The purchase price was \$90,000 payable \$30,000 cash and \$60,000—7%—5-year term, 20-year amortization mortgage. The building is in excellent condition and contains over 12,000 sq. ft. This purchase will allow us to consolidate our Winnipeg Air Cooled Engine Division and three smaller rented areas into one building. We estimate that this will reduce our Manitoba rental costs by 20%.

The company has arranged for the installation of a Remington Rand Univac computer in early August. It is expected that this unit will be fully programmed and in operation by October 15th. This new equipment will enable us to consolidate many accounting procedures in our Toronto office and will effect substantial economies in our future operations.

Management is continuing to explore all methods of internal expansion and expansion through acquisition.

A. H. DOUGLAS,
August 12th, 1968. *Chairman*